



SFSA CASTEEL REPORTER

Steel Founders' Society of America

a monthly publication
serving SFSA steel casting industry Members

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January — 2004

Casteel Commentary Highlights:

It is time again for predictions for the coming year. Business will show sustained improvement, but perhaps most significant will be the dramatic and sustained increase in the price of alloys and scrap. While China remains a potent threat supplying steel castings, their growing economy is beginning to put pressure on commodity prices. Increased production of commodities at higher prices, declining value of the dollar, and lack of supply in the North American economy could change the very landscape of business in the next 12 months.

The Clean Air Act Amendment 1990 MACT standard for steel foundries has not yet been released by the U.S. EPA but the draft has been available for some time. This costly and burdensome regulation could hurt our industry, raising costs now and preventing production in the future. SFSA is organizing to contest this standard. You foundry will receive a letter asking you to contribute to this important activity.

SFSA Relocation

The SFSA office will be moving in the next two months. This will allow us to reduce costs and operate more smoothly. We will keep you informed with our new contact information.

T & O Conference Proceedings available

Copies of the 57th SFSA Technical & Operating Conference proceedings are still available. 47 papers are contained in the proceedings. The cost is \$150 per copy, including shipping within the US. The Conference Agenda, which includes a list of papers, is available here:
<http://www.sfsa.org/sfsa/toconf/agenda.pdf>

SFSA 2004 Annual Meeting

Mark your calendar! This year the SFSA Annual Meeting will be held at the Ritz Carlton Resort on Amelia Island in Florida from September 11th through the 15th. This gathering of our Industry's leaders allows us to exchange the ideas and expertise our foundries need to sustain themselves through the business climate of today and to be ready for more prosperous production tomorrow. The demands, expectations, and opportunities of our Industry are dynamic. We hope that you will plan to take advantage of this once-a-year opportunity.

Market News

Business conditions improved again in October. Bookings continue to be positive. Shipments have increased in reporting foundries from SFSA Trend Cards. The reports from the Department of Commerce show orders for iron and steel castings to be up outpacing shipments. Nondefense capital goods show continued reduction in the ratio of inventories to orders or shipments and shipments ahead of orders. Orders are at the highest levels in two years. Raw steel shipments according to AISI are also at the highest level in two years. Low inventories, low interest rates, closures of capacity, continued high levels of activity in the recovering economy, and increased demand for commodities will likely sustain the demand through the first half of 2004.

Casteel Commentary

The New Year's predictions for last year were again more entertainment than informative. They were a stronger than expected recovery for steel foundries - up 20%; one plant reopens and at least one more fails; China receding as a threat and the lack of qualified people to fill the needs of our industry.

1. The SFSA Market forecast for 2004 is for 13% up but most of the increase is concentrated in railroad castings. Last year the Market Forecast was for 9% up and the New Year Prediction was for a stronger 20%. Wrong! Apart from strong demand in railroad, the steel foundries that survived benefitted primarily from the redistribution of work from failed or closed plants. Having failed this prediction twice, I will again predict stronger than expected demand in 2004. All of the market indicators and macroeconomic conditions indicate a very strong future market. I think our time has finally come for improving business.

2. Last year, the prediction of continued uncertainty in plant closures proved accurate. This year, there should be no more closures and there should be at least one additional large plant reopen and a number of small plants start up or enter the steel casting market from other markets due to the prior closures and lack of supply.

3. This was the whopper. China receding as a threat to steel casting markets was not only not true but China emerged as an even more potent and long term supplier in the North American steel casting market. The strong U.S. dollar, the lack of political will and leadership, and the nonmarket predatory practices of China have allowed them to steal substantial parts of the North American market. I do think that China will recede in the longer term, but this year they will continue to grow in the market place and will be an issue in the 2004 election. While the lack of good economic policy for encouraging manufacturing is more of a factor, it will be an easy political move to blame the loss of manufacturing on China.

4. The lack of qualified people was an easy and true prediction for 2003 and will be even worse in 2004. With plant closings and staff reductions, you would anticipate an availability of qualified people but the continued retirement of late career foundrymen and the lack of younger early career people limits the pool of prospects. As business improves, it will not only be necessary to plan ahead for capital investment but also to recruit, promote and train the next generation of leaders for the industry.

I feel pretty good about last year's results, wrong on 1 and 3 but correct on 2 and 4 or a batting average of 0.500. In addition to these four-updated predictions, I would also predict a few other things.

5. Prices will rise dramatically and remain high on alloys and scrap. The consumption of China, low costs for the past decade, and upturn in the economy will strain supplies. The twenty years of virtual price stability will not survive the next year. Producers like steel foundries will need to recover these and other higher costs to remain financially viable.

6. The fall of the dollar will continue and make demand for North American goods increase and reduce imports.

7. Regulatory pressures will continue and no relief will be proposed favorable to manufacturing.

Have a Happy New Year!

Raymond Monroe

STEEL FOUNDERS' SOCIETY OF AMERICA

MEETINGS CALENDAR

2004

Feb
27 North Central Technical & Operating Meeting, Milwaukee, WI

April
23 North Central Technical & Operating Meeting, Milwaukee, WI

May
18 Specifications Committee, Salt Lake City, UT

September
11/15 Annual Meeting - Ritz Carlton Hotel, Amelia Island, FL

November
3/6 National T&O Conference - Hotel Inter-Continental, Chicago, IL
9 Specifications Committee, Washington, DC

**STEEL FOUNDERS' SOCIETY OF AMERICA
BUSINESS REPORT**

SFSA Trend Cards 3 Mo Avg Oct Sep
(%-12 mos. Ago)

Carbon & Low Alloy

Shipments	14.4	21.3	22.0
Bookings	6.1	22.2	17.0

High Alloy

Shipments	7.6	-21.8	10.3
Bookings	38.6	20.0	72.6

**Department of Commerce
Census Data**

Iron & Steel Foundries (million \$)

Shipments	1,258	1,283	1,264
New Orders	1,316	1,397	1,317
Inventories	1,689	1,673	1,698

Nondefense Capital Goods (billion \$)

Shipments	57.7	58.6	58.2
New Orders	59.5	62.0	59.6
Inventories	105.9	105.7	105.8

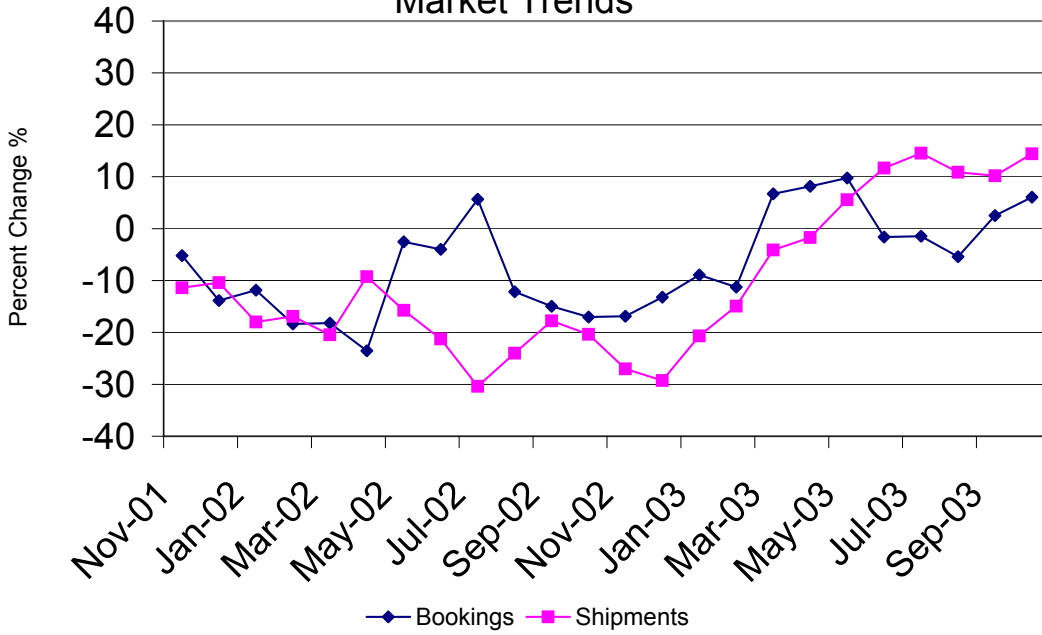
**Nondefense Capital Goods
less Aircraft (billion \$)**

Shipments	55.2	56.2	55.5
New Orders	57.0	59.2	57.4
Inventories	88.2	88.0	88.0
Inventory/Orders	1.55	1.49	1.53
Inventory/Shipments	1.60	1.56	1.59
Orders/Shipments	1.03	1.05	1.03

American Iron and Steel Institute

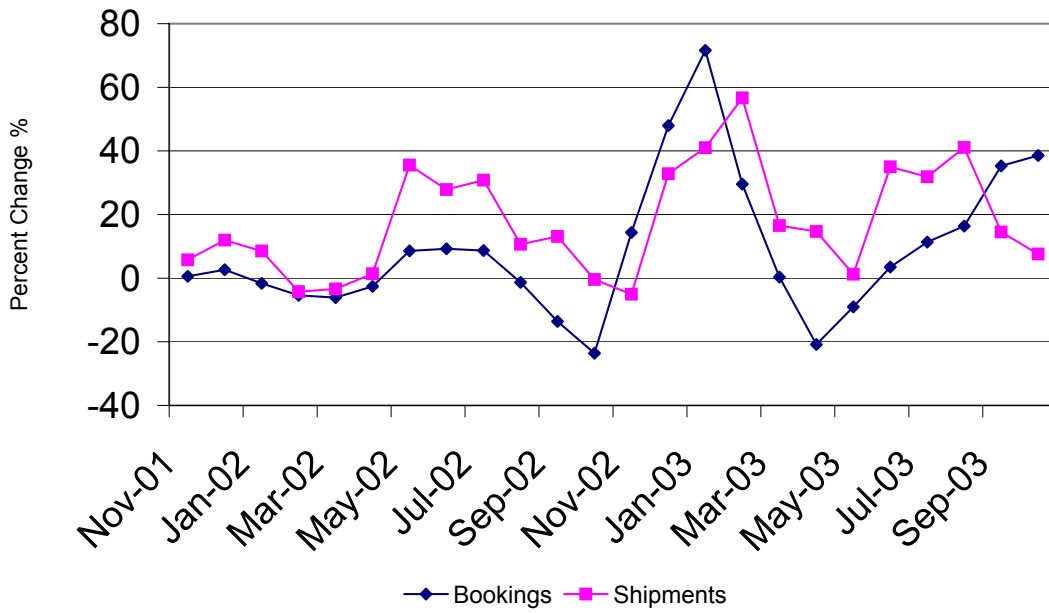
Raw Steel Shipments (million net tons)	8.9	9.3	9.0
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Carbon & Low Alloy Casting Market Trends



SFSA Postcards

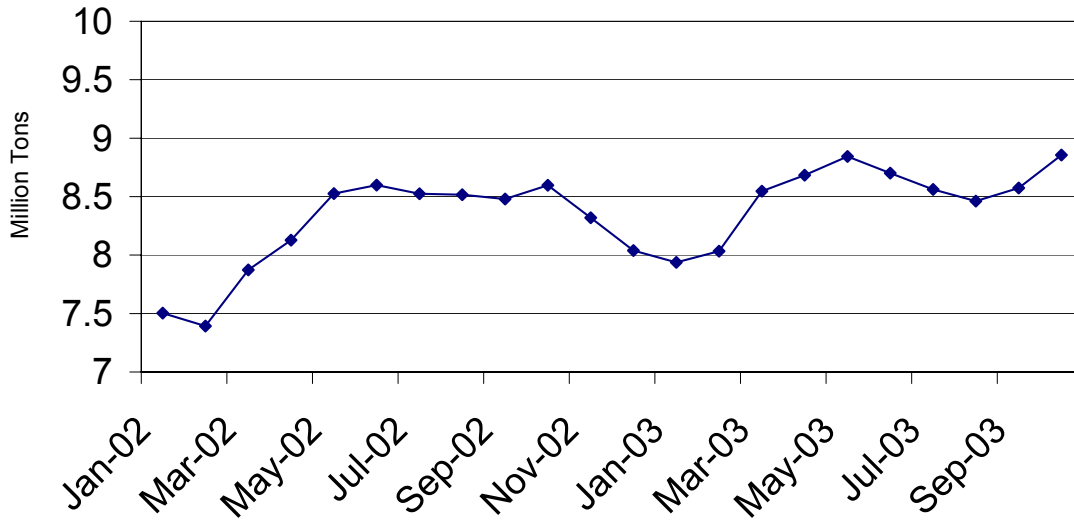
High Alloy Casting Market Trends



SFSA Postcards

Raw Steel Shipments

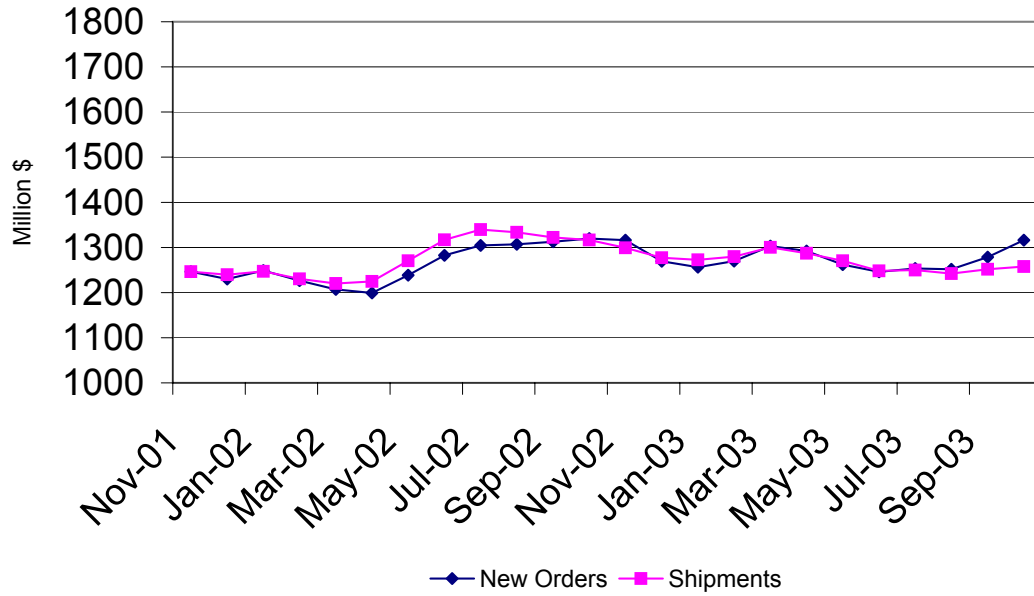
3 month average



AISI Data

Iron and Steel Castings

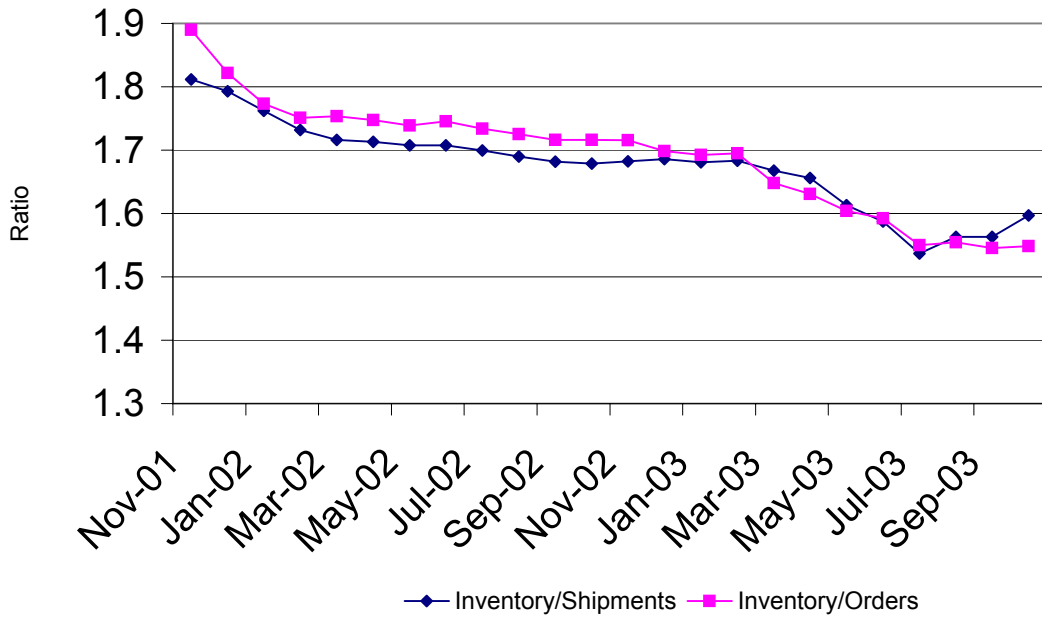
3 month average



SFSA

Nondefense Capital Goods less Aircraft

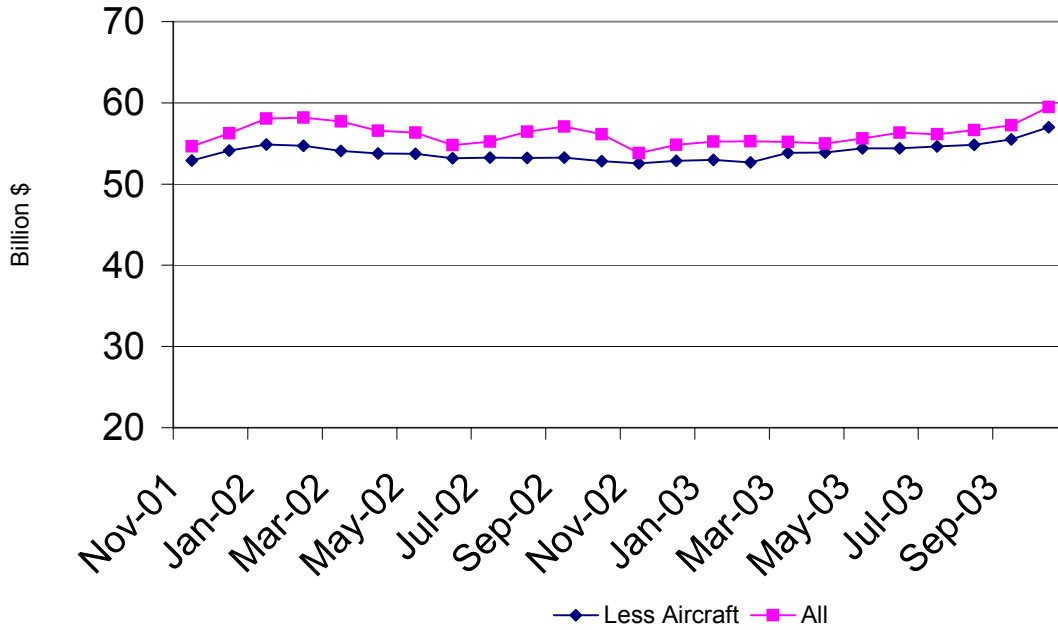
3 month average



Department of Commerce

Nondefense Capital Goods New Orders

3 month average



Department of Commerce